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TOWNSEND BILL.

...Interview...

OF

REPRESENTATIVE F. C. STEVENS

Of Minnesota.

Opinion of Experts.

Sober Consideration of Rate Question.

From the Seattle Times, March 3, 1905.

RAILROADS WORRY STATESMEN.

Many Difficulties Confront Congress on Proposed Rate Legislation.

Important Question Requires Investigation on the Part of Legislators.

WASHINGTON BUREAU
OF
THE SEATTLE DAILY TIMES.
AND
THE PUGET SOUND AMERICAN.

Representative Stevens of Minnesota, one of the leading members of the Interstate and Foreign Commerce Committee, in discussing proposed railroad rate legislation to-day, pointed out a few of the difficulties which are confronting Congress in its efforts to respond to the public demand for the regulation of the great carrying companies.

Confusion Pointed Out.

Mr. Stevens points out that great confusion as to rates is likely to come as the result of Congressional and State legislative action. At present three different rate methods are before the country.

First, is the method which is based on the pressure of business. This is competition, with which the public is familiar.

Second, is a legal rate to be fixed by a commission, or established by judgment of the courts. This method proceeds upon a theory entirely different from that just named. It tries to

approximate the reasonable worth of the service rendered, which the competitive method has generally ignored.

Third, is a system of rates fixed by authority of State legislatures, and operative only within State limits.

Mr. Stevens points out that there can be no co-ordination between these three methods, and that nobody can tell how much or how little confusion may result from the attempt that will be made to have the three in operation in the country at one and the same time. Everybody, he thinks, understands the first method referred to, that of competition, which has been in operation from the beginning of railway enterprises.

Esch-Townsend Bill.

As to the second method he says:

"The Esch-Townsend bill embodies its principal ideas. Under the operations of this bill rates would be established very gradually over the country, one section being taken up at a time, and months, not to say years, would elapse before the Interstate Commerce Commission could fix rates covering the country as a whole.

Rates Rigid and Inelastic.

"The rates thus established would be rigid and inelastic, for it would require a legislative enactment to make them operative, and another legislative enactment to amend them, which would take much time."

The third method, that of rates fixed by State Commissions, would also be rigid and inelastic, for the reason just given.

As an illustration of what Mr. Stevens has in mind, let it be supposed that the Esch-Townsend bill is the law of the land, and that the legislatures of the Middle West States, such as Minnesota, Wisconsin, Iowa, Kansas and Nebraska, enact legislation that is now pending, to increase the rate-making power of Railroad Commissions within those States.

System of Rates.

Let is be supposed, further, that the Interstate Commerce Commission, in response to the loudest calls for help, which

are now coming from the Southwest, were to hold protracted hearings and fix a system of rates for all traffic to the Gulf ports. Much time would elapse before other sections of the country could have rates similarly established, and during this interval much harm might be accomplished.

For example: The most troublesome rate in the Middle West and the territory between Chicago and the Atlantic Coast, both by rail and water, is the rate on grain.

There is always difficulty in adjusting this rate so as to satisfy shippers from the Missouri River to the Gulf and shippers from the same point to the Atlantic Coast by way of Chicago, or by way of Minneapolis and Duluth.

Now, the primary factor in determining this rate is the cost of loading and shipping grain in barges from the Upper Mississippi to New Orleans, and placing it upon its arrival in the latter city, either in elevators or ocean vessels. This comes about because the great highway of the Mississippi is always open, and men who can buy grain can always own or hire barges.

Railroads Must Compete.

The railroads to the Gulf must meet this barge competition, and they do it by considering the haul in both directions. The return haul is now very large, owing to the active movement of lumber, cotton and other Southern products.

The railroads east from the Missouri River, as Mr. Stevens points out, must meet this Gulf competition, for unless they do so all Middle West grain moves in a steady stream to the Gulf. They must also consider the return half, and the relative export rates to Liverpool from Gulf ports and from the North.

Atlantic Seaboard.

A third factor in this situation is the demand of the Minneapolis flour mills that grain be diverted toward the Northwest. There are times when the local demands of Minneapolis and Duluth are alone sufficient to take grain in that direction, when the rates in other directions are not sufficiently low.

The situation above outlined is based on the natural pressure of business, or on competition.

"Suppose," says Mr. Stevens, "on complaint, the rates from the Missouri River to New Orleans are fixed by the Interstate Commerce Commission, under, say, the Esch-Townsend bill, and that the Railroad Commissions of Kansas and Nebraska have fixed rates, the former from all State points to Omaha, and the latter from all State points to Kansas City, Kan.

Investigation Necessary.

"These rates, fixed by the process of law, could only be changed by a subsequent investigation and order made in process of law, and the territory where they are operative is removed from the domain of competition. Meanwhile suppose that the Interstate Commerce Commission has to fix rates from the Missouri River to the Atlantic Coast, either by way of Chicago or Minneapolis and Duluth.

Effect on Gulf Ports.

"What is the inevitable result? The rates to the Atlantic being controlled by competition, the transportation lines in that direction monopolize the grain trade, and the lines to the gulf, having the inelastic rate fixed by law, and no competition, are unable to attract the grain business, and both they and the country which they traverse suffer.

"Of course, after a while the Interstate Commerce Commission will get around to the fixing of rates from the Missouri to the Atlantic, but what is to become of the Gulf traffic from that section in the meantime?

"Obviously, the rates under the Esch-Townsend, or under any other bill, could not be extended over the entire country for years, and the result meanwhile would certainly be to enrich railways and shippers in one section and to impoverish those in another section.

"This is one of the questions which has come up in the minds of members of Congress who want to give the people what they demand, so far as that may be done fairly to all interests.

Period of Transition Would be One of Distress.

"The period of transition from the present competitive system to the system of fixed federal rates would be a period

of distress for some parts of the country, and increased prosperity for others, no matter what form the legislation might take. The concrete illustration of the Missouri River and the Gulf and Atlantic ports is typical of every other portion of the country.

"I have merely selected it because the heavy grain shipments from the Missouri River make the illustration familiar south, east and west. Chicago, Minneapolis and New York have been complaining of late years of the rapid development of Gulf ports as points of shipment of grain for export.

"If the Esch-Townsend bill were to become effective tomorrow, and under its provisions the Interstate Commerce Commission, responding to the most clamorous demand, were to fix rates to the Gulf, the cities just named would have no further cause for complaint, perhaps for years."

From New York Times, of February 10, 1905.

SAY ROOSEVELT PLAN WOULD INCREASE RATES.

Railroad Men Discuss the Esch-Townsend Bill.

Truesdale Gives Examples.

Roads Would Not Consider Favorable Conditions—All Commodities Would Fare Alike.

Prominent railroad men, asked for their views yesterday, expressed the belief that the ultimate effect of giving to the Interstate Commerce Commission power to fix rates as proposed by the Esch-Townsend bill, would be to increase the rates themselves. On the question as to whether in specific cases the Commission would be obliged to increase the rates of any given road upon complaint of a competitor that the rates were unduly low, there was some difference of opinion. The prevailing belief was that the temper of the Commission, as at present constituted, would not lead it to a favorable consideration of such an appeal for relief.

William H. Truesdale, President of the Delaware, Lackawanna & Western, was strongly of the belief that rates would not in the end be as low as at present if power to fix them were placed in the hands of the Commission. He said:

"The railroad rate is the product of a great many forces and must be determined, in order to be fair to everybody concerned, according to these, and not according to any fixed standard externally imposed. If the Interstate Commerce Commission should have power arbitrarily to fix rates and these rates were supported by whatever court of appeal might be constituted, the result would be to overturn the natural agencies and substitute for them the arbitrary judgment of five men, who, however expert they may be as individuals, cannot be familiar with all the conditions underlying all rates the country over.

How Rates Would be Increased.

"The Commission, therefore, must adopt fixed standards if it is going to exercise this supervisory power, and the roads must be governed accordingly. Let us suppose, for instance, that a railroad is carrying grain from one of the Middle States to New Orleans for shipment, and at a very low rate because of the conditions of the haul and the amount of the traffic. It is probably charging a higher rate on other commodities, according to the conditions of their shipment, and, in carrying grain elsewhere than to New Orleans, it may be charging more.

"Now how long do you suppose that road would maintain its low rate on the New Orleans traffic if it thought that such a rate would be taken as a basis for establishing like rates elsewhere on its lines where conditions were very different? If the Interstate Commerce Commission were omniscient and infallible there might be no occasion for a road to fear this, but in any other case it is impossible to escape the danger, and no road is going to keep rates down with a club like that hanging over its head.

"This gives a specific example of the disturbance of business by having rate-fixing power in the hands of the Interstate Commerce Commission. Beyond that, it may be said that any general disturbance of railroading, interfering with economies of operation and with stable conditions, is going to increase the cost of furnishing transportation, and hence the price that people have to pay for it.

"I do not believe that in specific instances the Commission would be likely to raise rates on complaint of a road that a

competitor had reduced its rates below the point where profit is possible, first because the disposition of the Commission is not to come to the aid of the railroads, and second because in one of the earlier cases before it the Commission declined to do exactly that thing. A railroad had made a complaint that a competitor to freeze it out on a certain class of business had reduced its rates below the point of profit and asked the Commission to take steps looking to the restoration of rates in existence before the cutting began. This the Commission declined to do on the ground that it was not its business how low the railroads might place their rates.

"The railroads only wish that the Commission would show some such consideration for them as would have been given in raising the rate in the case above. But, unfortunately, the reverse appears to be the case, and everybody has it in for the railroads. Now I don't claim for them the possession of any greater virtues than are found in other business enterprises, or in the legislators at Washington, Albany, or at the City Hall, but I thing that the history of railroading in this country shows that the railroads have had about as much consideration for the welfare of all classes of interest as any line of activity where money has been invested."

Usury Law as an Example.

The president of another great railroad system agreed with Mr. Truesdale on the result of rate fixing by the Interstate Commerce Commission, and illustrated the point by the working of the law against usury in this State.

"That law was passed by the farmer vote," he said. "I fought it, not because I wanted to lend money at usurious rates, but because I wanted to have a chance to borrow it cheaply. After that law had been passed, fixing the legal rate at 6 per cent, another was passed for the benefit of the financial community, which allowed loans on collateral, where there was a written agreement, to be made at any rate agreeable to the parties. Ever since then the broker has been able to borrow money at an average, the year around, of not over 4 per cent at the outside, although he may have to pay 10 or 15 per cent in some particular week, or 50 per cent for an hour or two in some one day.

"But Mr. Farmer up-State who wants to borrow money on his farm—a security that is not subject to market fluctuations

—has got to pay 6 per cent for his money on account of his own law interfering with the operations of natural conditions of supply and demand. I've got a place up-State myself, and I could probably borrow money on it at 2 or 3 per cent if the market was right, but, actually, they wouldn't be lending money on the place; they'd be lending it on my note. And if my next-door neighbor, who is a farmer and not a railroad man in addition, wanted to get some money on his place he'd have to pay 6 per cent.

"When any one talks about giving the Federal Government power over rates, he ought to distinguish between the fixing and the control of a rate. You control a rate by passing laws against specific acts tending to produce unfairness. We may take the word 'rebate' as a generic term. Then if any individual has suffered because of unfair rates or rebates he can go before the Interstate Commerce Commission and get it to advise the institution of a suit, if he has a good case, or else seek redress himself in the courts, according to circumstances.

"Any such control of rates so as to do away with rebates in every form or description no one will welcome more quickly than the railroads, and this is shown in the present instance. But the fixing of a rate by the Government means a very different thing. It is the fixing of a price for which transportation shall be furnished, and when you have extended the sphere of the Government as far as that, you are establishing Government interference with industry that is almost mediaeval in its severity and possibility for evil.

"Furthermore, the Interstate Commerce Commission as now organized is constantly subjected to a certain set of influences that can be appreciated when it is said that the Pennsylvania Road owns every railroad track on which one can enter Washington on a pass. If you chose a commission from the most rabid State in the West you would have the Commission under the 'influence' in ten minutes from its arrival in Washington, and thoroughly 'Easternized' inside of a year. The result would be just what the result has been—a Commission that is always laying for the Western systems and those reaching the Gulf.

Favors New Department.

"My idea would be the one that was suggested when Mr. Roosevelt called a number of railroad presidents, including Paul Morton, together a year or so ago, when the Department of Commerce and Labor was being worked out. He asked them to meet with the Interstate Commerce Commission and

the Attorney General with a view to creating a new Commission or Commissioner under the Department of Commerce and Labor. A few letters were exchanged, and although all the railroad men were in favor of the scheme, the matter was pigeonholed.

"But if you made the Commission—or better, a single Commissioner—a part of one of the Federal Departments, as it was originally a part of the Department of the Interior, you do away with all this and create a responsible agent of the Federal Government, and one that has the regular machinery of the Government at his disposition. Such an official ought to attain as high a place in the public esteem as the Controller of the Currency now holds, and his word would probably be recognized as the final word on the subject.

"What a contrast between that situation and the present one—a Commission that in seventeen years has cost the Government approximately $3,804,915.76, that has tried 355 cases, exclusiive of the safety appliance cases, at an average cost of $10,778.80 a case, has decided 194 cases in favor of the complainants at a rate of $19,612.97 a case, and has had the Federal courts sustain its findings in two cases, which have, therefore, cost the Government nearly $2,000,000 apiece!"

Henry Fink's Views.

Henry Fink, Chairman of the Board of Directors of the Norfolk & Western Railroad said:

"The conditions that would follow the passage of the Townsend bill by the Senate are almost too terrible to contemplate. Arrangements that have taken years to perfect would be broken up, to the utter confusion of the railroad situation. I do not think that rates, in the readjustment, would tend to be higher, but rather that many roads struggling under rates artificially imposed would find the burden too heavy to bear.

"What people are disposed to forget is that rate making is purely a commercial process, not financial nor operative. And as a commercial problem the rate problem can only be handled according to specific conditions, and not on the basis of theorizing. The Interstate Commerce Commission, no matter how able its members, cannot make rates for the whole country, as it would have power to do under the bill, without making a great many mistakes, and the Townsend bill provides no relief for those railroads on which an unjust rate has been imposed until the final decision of the court or courts of revew.

"This feature of the bill, to my mind, is the worst one. If it were provided, as was suggested, that an existing rate be allowed to stand until the final decision of the case, the shipper could be protected by a regulation that a railroad, on losing its case in the court of review, should make up to the shipper the difference between what he paid and the new rate. But any such provision is omitted in the bill.

"An illustration of how this would work may be found in the decision of the Commission in 1894 that the rates charged by several of the Southern railroads on a great number of articles should be lowered. It was three years before the courts finally reversed the decision, and in the meantime if the railroads had been obliged to lower their rates under the Commission's order, some of them must have been forced into bankruptcy. That is what the railroads would have constantly hanging over them if the Senate passed the Townsend bill."

Samuel Spencer Before Interstate and Foreign Commerce Committee of the House, January 13, 1905.

Granting Such Authority Would Cause Irreparable Injury.

Mr. SPENCER. Again, the granting of that authority to name a rate, under the circumstances described in this bill, would inflict an irreparable injury upon the carrier in a case where the matter was appealed to the courts. The rate having already taken effect, if the courts should decide that the original rate of the railway company was reasonable and just, there would be no possible means for the railway company to recoup that loss. Now, the process is that the Interstate Commerce Commission has the power, and it is one of its duties, that having found what it regards to be an unreasonable rate, either by its own motion or after hearing, it shall condemn that rate. We have seen that in the great majority of cases, something over 90 per cent, where they have done that thing, the railway companies

have acquiesced, and stated: "All right, we accept your judgment." But where it has gone into court, the Commission has not established one single case of an unreasonable rate per se, and they have only established two cases of discriminatory rates as between localities, that being less than ten per cent of total of the cases which have gone to the courts. If that is the case, is it not fair to the railroad companies that before a rate, on a record like that, is put into effect, the courts should pass upon it, if the railroad company is going to suffer irreparable loss if they finally gain the case?

Additional Loss Resulting From Such a Measure.

Mr. SPENCER. As I have said, the bill inflicts the irreparable injury in the loss of revenue which is going on while the case is pending. That is not the only part of that irreparable injury. You may run into this difficulty: We will assume that the Commission has put a rate into effect and a railroad company has appealed it to the courts. Now, that very fact that the rate goes into effect is a material deterrent, irrespective of the reasonableness or unreasonableness of the rate itself. One of the greatest difficulties we have to deal with—and that is the reason that our unreasonably low rates exist, to a very large extent, because something has occurred—it may be one thing or it may be another; it may be fierce competition; it may be an abortive effort to create new business that did not work out—for various reasons these low rates have gone into effect; and one of the most serious difficulties we have to deal with in practice is to ever get them back. It is not only that people are loth to pay an increased rate above what they have paid. That is natural. None of us like to pay more for a thing than we paid yesterday or the day before yesterday or last year, if we can help it. Beyond that, however, and apart from any individual or personal reluctance in paying more, the rate having gone into effect, the commerce of that particular article, its distribution, the commerce of that particular community, becomes settled around that rate.

From the Testimony of Stuyvesant Fish Before Senate Committee on Interstate Commerce.

Necessity For Additional Legislation—Opinion of Hon. George F. Edmunds.

The Hon. George F. Edmunds, for so many years a Senator from Vermont, recently wrote me as follows:

"I do not think it necessary for the public interests to clothe any board at present with the general power to fix rates. The powers of the Interstate Commerce Commission and of the judicial branch of the Government (including in this description the executive duties of prosecution, etc.) provided for in the so-called Sherman law have been and are, I believe, entirely adequate to punish, and, in the main, prevent every one of the unjust and illegal performances of the railway management and of the private persons who have been or are parties thereto. A study of the history of the 'Sherman Act,' as shown in the Congressional Record and the journals of the two Houses, will show, I think, first, that Congress intended to prevent and to punish every unjust and unfair action both of railway managers and of private persons in connection with interstate and foreign transportation, and, second, that the law was entirely adequate to accomplish it if only the executive branch of the Government, including Attorneys-General, district attorneys, etc., and the strictly judicial branch would perform the plain duties that the law required of them. Every intelligent person acquainted with public and business affairs, I am confident, understands perfectly well that the evils that the act of July 2, 1890, provided for the correction of were left substantially unassailed, and continued to grow and expand until they have now reached a stage that compels attention, and will, if not speedily overcome, be visited with a heavy retribution.

"I have expressed these views so many times during the last ten or fifteen years that it seems like supererogation to repeat them to you. What is really needed is not legislation but administration."

I desire to say that Senator Edmunds is in no way related to me or to the Illinois Central Railroad Company as counsel. I simply wrote to him on the subject as a friend.

From the Chronicle, March 11, 1905.

The Enemies of Progress.

After reading the accounts of last Saturday's inauguration ceremonies, the conclusion seemed unavoidable that our people occupied the most favored of lands, and from it sprung all that was wisest and best; that there was nothing mean or even second rate connected with the United States. On the contrary we had such an abundance of sweets for disposal in one hand and harmless bullets in the other that the benign influence of our democratic institutions was felt everywhere as a wholesome agency, dispensing peace on earth and good will to men. We could not help thinking as we read these comforting assurances, how it is, if they are all true, that the ends which have been most persistently advocated and pushed at Washington, and even in the White House, during the previous four months, have been in aid of a Governmental policy so inconsiderate and harsh that if pursued to the bitter end it cannot but serve to confiscate a considerable part of the property of a very large class of Americans of both sexes, of almost every age, and of all grades of investors, not one of whom had done or been charged with doing, any wrong. Advocating such proceedings is thoroughly inconsistent with our idea of a high-minded, beneficent Government, scattering its kindly influence among all the nations of the earth.

The Holders of Railway Securities.

The foregoing does not by any means disclose fully the grievousness of the policy so zealously pursued to-day by this Government against the stockholders of our railroads. Two weeks ago we gave in our "Financial Situation" (page 838) an item of considerable length indicating in a summary way the number of railroad stocks and bonds held by some of our leading corporations and closing with an accurate compilation of the holdings of such securities by the life insurance companies doing business in Massachusetts. While we were preparing

that item our contemporary, the "Railroad Gazette" seems to have been at work in the same field and had prepared for it a more detailed article by Mr. H. T. Newcomb, publishing his thesis on the same day we published ours. We have room only to give the closing summary of Mr. Newcomb's compilation, which is still only partial—a mere hint of the extent in which the business life of the nation is based upon railroad values.

VALUE OF RAILROAD SECURITIES HELD BY—

The insurance companies investigated.....	$845,889,038
The savings banks investigated.....	442,354,086
The educational institutions investigated.....	47,468,327
Total	$1,335,711,451

Six States only: (1) New York, (2) New Jersey, (3) Connecticut, (4) Massachusetts, (5) Maine and (6) New Hampshire.

Rich and Poor Both Interested.

The foregoing, we have said, is only partial, disclosing probably the location of only about one-sixth of the railroad property of the country. It is enough, however, to dissipate the idea that railroad securities are the property of the few very rich men. Even if the rich were alone the holders of railroad securities, we know no law which permits Government protection to be withdrawn from the rich. Still here are railroad securities of the declared value of $1,335,711,451 belonging not to the rich but the most worthy members of the class of moderate investors—the bulwark of the nation—the more provident members of the working classes, in large part covering probably their entire property. These are to be committed to the Interstate Commerce Commission with arbitrary power to cut down the rates now charged by the roads, which, of course, means to cut down the ruling values while depriving the holder of any appeal to the courts. That seems to be the kind of Government we glory in.

Deprived of the Protection of the Courts.

The disaster now invited differs in no degree from that threatened by the free-silver-coinage party. Our people will soon see the likeness. It took a long time for a good many to appreciate fully how very short the road was between the adoption of free-silver-coinage and industrial confusion. Not one whit longer will the way prove between the taking by statute from railroad directors the right to make rates conferred upon them by their stockholders and turning that right over to a Commission appointed by the Government, from whose decision, according to the present program laid down, the management is to be deprived of even the protection of the courts. Of course stockholders everywhere rebel against that action believing they will thereby be virtually deprived of the value of their property. That conclusion cannot be avoided. The object of this change is everywhere stated to be by its advocates to lower rates; the literature of the Interstate Commerce Commissioners and their followers shows beyond question that the purpose of the legislation is to lower the rates the railroad managers have made. The fact is so obvious it does not need argument to prove that the indiscriminate lowering of rates of a road and shutting out that road from the refuge of the courts is a kind of treatment not so very different from that the highwayman awards the citizen walking home of a dark night. The power is lodged with the official, the victim is at his mercy; while the instrument of destruction in both cases is deadly.

Political Courage Save the Country.

It would be just as arbitrary and not a bit more objectionable if the Commission should be given the absolute power to cite the savings banks directors to appear before it and force the directors to raise the rate of distribution among its depositors, Congress having first taken away from the banks the right of appeal to the courts. When acts like that are authorized, it is a very fitting prelude to do what our Lower House of Congress did this winter—cut off discussion and force a speedy vote.

When the silver issue was being worked in behalf of the poor man and his currency, both parties were wedded to the idea of its popularity and so afraid of losing that class of voters that each for years dropped the word gold from its platforms except to express repugnance and aversion. Politics make fearful cowards and both parties at times get in bondage to the cowardly membership. Finally, in the silver struggle, one political division had its courage raised to such an extent as to induce its organization to come out distinctly for a sound currency. It was speedily found (excluding the Southern States, which were largely held in the opposition by another issue) what an absurdly small party they had been so long living in fear of. The truth is, almost every live American has more or less property, and all of them, except the stupid ones—a small fraction—have brains. Consequently, in the United States it is never safe for an ambitious youth to ally himself with error or adopt any political standard that is tainted with dishonesty.

Shall Prosperity be Continued or Checked?

Again, it is well enough to remember that the danger to democratic institutions lies in corruption and not in money. Capital now-a-days is the most vulnerable of agencies. A breath of suspicion and it is gone. To gather it and make it the prime agent of growth in wealth as it has been in recent years, stability and confidence are the essentials. To be sure Goldsmith wrote, and wrote truly at that time: "Ill fares the land, to hastening ills a prey, where wealth accumulates and men decay." That was a natural connection when the trade of each country was more nearly isolated and capital stayed where it was, and festered. Now the world's interests are so allied with every other that the whole body of nations is very like a single country. Every State's gold chest is open to every other. Fluidity of capital is its controlling feature. Hence when we established our currency on a gold basis the poor men got rich because the wealth of every nation came here to be invested and the wheels of commerce went round as never be-

fore. Instead of men decaying under the influence of the new flood of wealth, it came in and fructified this rich field for enterprise, and hence we have seen such growth in wealth, in population and in power as has never been noted before in a like cycle of years, and can glory in it now even when we are doing our best to prevent its continuance.

Editorial from Derrick, Oil City, Pa.

An Unwise Measure.

The opposition to the rate-making bill is not confined alone to the railways, which are the principal interests that will be affected thereby. The mere proposition to place such a power in the hands of an appointive board is contrary to democratic principles and if granted would prove highly dangerous to a republican form of government. The exercise of such a prerogative is contrary to the fundamental ideas of free government. Because railroad and other interests are arrayed against this measure constitutes no reason why any portion of the people should favor it.

Unjust Exercise of Government Power.

The most serious thing that now threatens our business and commercial prosperity, and which would exercise the most depressing influence upon railroad interests everywhere would be the passage of a rate-making bill by Congress. The railroad authorities consider such an enactment would be an encroachment of the Government upon individual rights, that it has no business to interfere between the railroads and the people further than to enforce even-handed justice on all sides. Rate-making would be an unjust exercise of Government power. No Commission that can be organized would be competent to deal with such a vast and complicated piece of work. It might

as logically attempt to fix the price of butter and eggs with different conditions in innumerable markets.

Effect on Employees and Security Holders.

Comparative statistics demonstrate that our railroads now perform the cheapest and best service in the world; a most conclusive demonstration of the superiority of private management over any paternalistic schemes. Further, our railroads have over 1,200,000 employees and pay about $800,000,000 a year in wages. Should the Government fix the rate and make it lower, the loss would fall chiefly upon labor, which already receives about one-half of the gross earnings of the roads. There is still another class who would suffer under such a policy, and that is the millions of stockholders whose rights are often entirely ignored in unreasonable anti-railroad agitation. The most enlightened public opinion is opposed to the enactment of this bill and will applaud the determination of the Senate to prevent its being placed on the statute books of the land.

Editorial from Journal of Commerce, Feb. 27, 1905.

For Sober Consideration of the Rate Question.

Since the House of Representatives exhibited its unseemly haste in rushing through the Townsend bill, the essential provision of which would give the Interstate Commerce Commission power to fix the rates to be charged by railroads, there has been a respite for sober reflection. The Senate Committee has been giving hearings and getting considerable light upon the question of rate-making from responsible officers of railroad companies. It has reached the conclusion that adequate attention cannot be given to a matter of such importance during the remaining week of the session and will ask for authority to sit

during the recess and report at the next session. In the meantime Senators who were inclined to join in the hot haste of the Representatives have been sobering down and are ready to acquiesce in the postponement of the subject, and even the President seems to have concluded that it is just as well to think twice. Public opinion, which was assumed to be clamoring for the passage of some measure conferring the rate-making power upon the Interstate Commerce Commission, appears to accept the change of programme with equanimity, not to say entire satisfaction.

No Real Settled Public Opinion Behind Townsend Bill.

The fact of the matter is that there has been no real settled public opinion behind this ill-considered measure. There is one thing upon which the sentiment of the country is fairly aroused, the long standing abuse of discrimination by railroad companies between different shippers or classes of shippers and between different shipping points, whereby some profit at the expense of others. This iniquity has done a vast deal of harm in building up monopoly, strangling competition and ruining independent business entrprise. Whether it is effected by allowing special rates to favored shippers, paying back part of the charges in rebates, making undue allowances to private cars and terminal tracks or by other underhand devices, it is a violation of law and a crime against the authority from which railroad franchises are derived. Public opinion has undoubtedly demanded that it be stopped, by means of additional legislation if that is necessary to make the law cover all the practices by which it is accomplished, and by a vigorous enforcement of legal provisions applicable to it. The attempt was made to turn this public opinion to the support of the Townsend bill, and it was represented that it actually did demand its passage. But the Townsend bill did not touch the evil complained of, for variations from published schedules would be just as easy after these had been tinkered by the Commission as before.

Peril in the Exercise of Rate-Making Power.

Few cases have been revealed among the innumerable schedules of rates filed by the railroads which were complained of as in themselves unreasonable or "unjustly discriminatory" if applied equally and fairly to all. Where they are shown by investigation to be so they have in nearly all cases been corrected on the mere recommendation of the Commission. In the few cases in which the courts have been called upon to review the rulings of the Commission they have been set aside as erroneous with barely three exceptions since the Interstate Commerce law was passed in 1887. The unreasonableness of the open schedule rates is not the abuse complained of, and no reason has been shown for giving the Commission the dangerous power of prescribing what a rate shall be, while the peril of the exercise of such a power has been clearly pointed out. Now that there is to be time for a sober consideration of the subject and the Senate Committee is to devote attention to it during the summer, there will be a chance for public opinion to be intelligently formed and directed. It is not a matter to be settled by clamor and excitement and a headlong rush into measures dished up in a hurry. While this committee is occupied in getting at what is really the matter and what is needed to remedy it, there is no occasion for the Administration to refrain from enforcing the penalties of the present law wherever it is shown to be violated.